

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 L-02 FBO-02 A-01 ABF-01 FS-01 H-01

RSC-01 /020 R

DRAFTED BY NEA/INS:RBMORLEY:JES

APPROVED BY NEA/INS:DKUX

L:KMALMBORG (DRAFT)

NEA/EX:EPERKINS (DRAFT)

A/FBO:CVSWAM (PHONE)

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R 222218Z NOV 74

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EFIN, ABLD, IN

SUBJECT: CONTRACT S-119-FBO-757 FOR FOUR GENERATORS

REF: A) STATE 250362; B) NEW DELHI 15346

1. WE WERE PLEASED TO HEAR THAT BROMLEY SMITH HAS MANAGED TO GET RELEASE OF 80,000 RUPEES FOR EXPENSES IN INDIA, AND THAT NEGOTIATIONS WELL ADVANCED TO RELEASE \$1.1 MILLION FOR AIR FRIEGHT BILL. WE HOPE THIS CAN BE EXPEDITED AS SHOW GOOD FAITH ON PART OF GOI.

2. QUESTION WE NOW FACE IS HOW TO OBTAIN RELEASE OF REMAINDER OF PAYMENT. GIVEN GOI CONCERN THAT ALL RUPEES (EXCEPT AMOUNT FOR AIR FREIGHT) BE USED IN INDIA AND NOT BE CONVERTED, INDIRECTLY OR DIRECTLY, TO FOREIGN EXCHANGE, WE SUGGEST THE FOLLOWING COURSE OF ACTION:

A. EMBASSY REQUEST SHYROW REPRESENTATIVE PREPARE EXPLANATION OF USES TO WHICH RUPEES WILL BE PUT IN INDIA.

B. THIS WOULD FORM THE BASIS FOR FURTHER NEGOTIATIONS
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BY SHYROW WITH THE GOI FOR A RELEASE OF THE BLOCKED FUNDS.

C. AFTER SHYROW HAS MADE PROPOSAL ON HOW IT PLANS TO USE BLOCKED RUPEES IN INDIA TO FINANCE MINISTRY, EMBASSY WOULD SUPPORT EARLY RELEASE FUNDS. GOI WOULD NO DOUBT

INSIST THAT SHYROW AGREE TO CERTAIN SAFEGUARDS TO INSURE RUPEES ARE USED IN ACCORDANCE WITH PLAN, BUT THIS PRE-SUMABLY COULD BE NEGOTIATED.

3. AS WE SEE IT, THE ADVANTAGES TO THE ABOVE PROPOSAL ARE AS FOLLOWS:

A. SUCH A MOVE WOULD ELP ALLAY GOI FEAR THAT RUPEES WOULD BE CONVERTED, DIRECTLY OR INDIRECTLY, TO FOREIGN CURRENCY.

B. SHYROW WOULD BE REQUIRED TO SPELL OUT SPECIFICS SO FAR LACKING ON HOW IT INTENDS USE MONEY IN INDIA, WHICH USG UNDERSTOOD WAS CONDITION FOR GOI AGREEMENT NON-TRADITIONAL USE OF RUPEES FOR THIS SALE.

C. THE EMBASSY WOULD BE IN A STRONGER POSITION TO SUPPORT SHYROW'S EFFORTS TO RESOLVE THIS PROBLEM WITH GOI.

4. WE WOULD APPRECIATE EMBASSY COMMENTS ON OUR PROPOSAL ASAP AND WITHOUT MENTIONING TO SMITH. WE ARE HOLDING OFF DISCUSSING SUGGESTED COURSE OF ACTION WITH HYDE UNTIL WE HAVE YOUR VIEWS. WE BELIEVE IT IS IMPORTANT THAT BOTH HYDE AND SMITH ARE PERSUADED THAT THE PROPOSAL IS A LOGICAL ONE, AND WILL PROVIDE USG WITH BETTER BASIS TO HELP THEM OUT OF THEIR DILEMMA. INGERSOLL

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